

COMMITTEE HEARING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:)
) Docket Nos.
Informational Proceeding and) 03-IEP-01
Preparation of the 2004 Integrated) 02-REN-1038
Energy Policy Report Update) 03-RPS-1078
) 04-DIST-GEN-1
(2004 Energy Report Update))
_____)

SAN DIEGO ASSOCIATION OF GOVERNMENTS

BOARD ROOM

401 B STREET, 7th FLOOR

SAN DIEGO, CALIFORNIA

THURSDAY, SEPTEMBER 30, 2004

10:30 A.M.

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Mike Evans
Coral Power

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Corporation

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City of San Diego

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San Diego Regional Chamber of Commerce

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P R O C E E D I N G S

10:30 a.m.

PRESIDING MEMBER GEESMAN: I'm John

Geesman, the Energy Commission's Presiding Member of its Integrated Energy Policy Report Committee. to my left is Commissioner Jim Boyd, the Associate Member of this year's Committee, and the Presiding Member of the 2003 Integrated Energy Policy Report Committee.

The process that we're engaged in now is actually an off-year update of last year's report. The state returned to the business of integrated energy resource planning through legislation enacted in 2002, SB-1389 reinstated that authority in state government.

That was something that we used to do in the late '70s and early 1980s when the Energy Commission's principal responsibility was siting investor-owned utilities' and municipal utilities' proposed power plants.

As the volume of those power plant applications declined, though, in the 1980s and the 1990s, the state's integrated resource planning capabilities atrophied a bit, and they were disassembled entirely in 1996 when the

1 Legislature passed AB-1890 restructuring the
2 electric market.

3 As I said, this is an update of last
4 year's report. Last year was the first time we
5 had done this. And as a consequence, I think that
6 we're still learning a lot as we go through the
7 process.

8 The legislation contemplates a full-
9 fledged review of all of the energy issues
10 confronting California every two years. The basis
11 of our recommendations are developed through an
12 evidentiary process. We principally rely on the
13 workshops as opposed to formal adjudicatory
14 hearings to develop that information.

15 We make policy recommendations in the
16 report to the Governor. The Governor is required
17 by law to respond after a period of review. And
18 then the Legislature is expected to respond to the
19 Governor's response.

20 Now, last year was our first cycle, and
21 as you all know, we had a rather unusual chain of
22 events in the Governor's Office, where one
23 governor was replaced by another one. And as a
24 consequence there still has not been a formal
25 response to the 2003 policy recommendations.

1 And the Legislature, if I can
2 characterize their reaction, has been to largely
3 understand the reasons for that lack of a
4 response.

5 We anticipate, when we publish this
6 year's update, that we will recap the primary
7 recommendations from last year's report; assess
8 what progress has been made on each of the major
9 recommendations. And then, if you will, republish
10 them for the Governor's response.

11 We've been led to believe that a
12 response will be forthcoming later in this
13 calendar year. So I think that we'll get on to
14 the cycle SB-1389 had originally contemplated.

15 Last year we identified three issues for
16 particular review in this update process. One was
17 the role that aging power plants play in
18 California's electricity environment. And
19 specifically we have tried to bring more
20 illumination to the question of the reliability
21 concerns raised by our dependence on aging power
22 plants, and what some of the environmental and
23 economic ramifications are, as well.

24 The second area that we identified for
25 closer scrutiny in this report is the development

1 of a better way of transmission planning than the
2 state has engaged in in the past.

3 We made a real priority in last year's
4 report of calling attention to the dysfunctional
5 permitting process that the state has utilized in
6 licensing new transmission facilities.

7 This year we have attempted to
8 complement that earlier analysis by focusing on
9 what I think we found to be an equally
10 dysfunctional planning process.

11 The third area that we identified for
12 closer scrutiny is the acceleration of the
13 development of renewable resources that's occupied
14 a great deal of attention in state policy making
15 the last couple of years. We have a renewable
16 portfolio standard that is a requirement imposed
17 on all of the load-serving entities in California
18 with the exception, to some degree, of the
19 municipal utilities. And the report looks at ways
20 in which to make that a better program.

21 I don't want to confine your comments
22 necessarily to those three items. We derive value
23 really from hearing what's on the minds of the
24 public and various interest groups in California.
25 And some of the issues I think we'll get into

1 today have already been identified as priority
2 items for closer scrutiny in our 2005 report
3 cycle.

4 You know, for a variety of reasons it's
5 often said that energy matters in California are
6 more politicized than anywhere else in the United
7 States. And for better or worse I think that's
8 probably true. But one of the real benefits that
9 we derive is the careful deliberative process that
10 our public hearings produce. This will be the
11 16th public event that we've held in the
12 development of this updated report. We plan to
13 have three more on the draft report, and then a
14 final one on November 3rd in Sacramento when the
15 full Commission takes up the report.

16 California is blessed with a more
17 innovative and thoughtful, and in many instances
18 more articulate, population engaged in energy
19 issues than I think anywhere else in the country.

20 Our efforts have been to try and gather
21 as much of that input as possible, mull it over,
22 put our thoughts out in draft fashion, elicit
23 comments, re-tailor them. And then finally, in as
24 transparent a fashion as we can, offer up our best
25 thinking on policy advice for the state.

1 Probably not as efficient a process,
2 certainly not as short a process as it would be if
3 we simply had an energy czar, or a department of
4 highways, if you will, to address these issues.
5 But it is something that we believe leads to a
6 more stable policy environment and also a more
7 transparent one.

8 So, I want to thank all of you for
9 coming today. Look forward to your remarks. And
10 I want to encourage your continued participation
11 in our process.

12 Commissioner Boyd.

13 COMMISSIONER BOYD: Thank you, John. I
14 won't add much more to your very comprehensive
15 view of where we are and what we want to do. Let
16 me just reiterate the invitation that we want to
17 hear from the public, which is why we're reaching
18 out. And I very much appreciate this dedicated
19 public that's in the room here, at least, being
20 here today to give us some input and guidance.

21 As Commissioner Geesman said, the 2004
22 update really aimed at three major points that
23 were laid out in the 2003 initial report. I'm
24 very grateful to the Legislature and the Governor
25 for having the wisdom to initiate this legislation

1 and call upon this agency once again, as it used
2 to do years ago, to take a broad look at energy.

3 And although the emphasis and most of
4 the public's attention, till they drive up to the
5 gas pump, is on electricity, the Integrated Energy
6 Policy Report did cover all three legs of what I
7 call the energy stool. That is, electricity,
8 natural gas and transportation fuel.

9 And the legislation set up a very real-
10 time dynamic process which I think is also good,
11 because this is a real-time dynamic subject, i.e.,
12 energy, that commonly sits on the energy stool
13 these days. So, we're anxious to hear people's
14 input on the entire subject.

15 As Commissioner Geesman mentioned, we've
16 already done a scoping order for 2005. And I
17 think some of the things we hear today will be
18 definitely addressed in that major update, the
19 every-other-year major update of the energy
20 report.

21 But, we're anxious to hear from folks
22 today on any particular subject they want to
23 broach. Certainly we want some input on the draft
24 report we've got out there, but we can always use
25 what folks see as energy issues and concerns to

1 guide us as we also almost resume concurrently,
2 start working on the 2005 major update.

3 So, with that, I'll turn it back to the
4 Chairman and start hearing from the folks here.
5 We had a couple of time constraint problems.

6 PRESIDING MEMBER GEESMAN: Yeah, why
7 don't we --

8 COMMISSIONER BOYD: -- back, and we need
9 to hear --

10 PRESIDING MEMBER GEESMAN: -- quickly go
11 to the standards --

12 COMMISSIONER BOYD: -- from the staff --

13 PRESIDING MEMBER GEESMAN: -- staff
14 presentation.

15 MS. FROMM: Thank you. I'm Sandra
16 Fromm, the Assistant Program Manager for the
17 energy report process. Over on the other side of
18 the room is Kevin Kennedy, the Program Manager.

19 Commissioner Geesman summed up very
20 nicely the beginning of my presentation, so what
21 I'll do is I'll just go right into the first
22 chapter of aging power plants.

23 In looking at the near-term supply and
24 reliability concerns, the 2003 energy report
25 concluded that under average weather conditions

1 California would likely have adequate energy
2 supplies through 2009. But if adverse weather
3 conditions occur operating reserve margins could
4 fall below the 7 percent threshold needed to
5 maintain system reliability.

6 The aging power plant study from the
7 2004 energy report process noted that as many as
8 9000 megawatts are considered at risk of retiring
9 by 2008. If many of these at-risk power plants
10 retire between now and 2008 reserve margins could
11 potentially fall below the 7 percent threshold.

12 Additionally, during this past summer
13 regional reliability concerns associated with
14 transmission congestion emerged, particularly in
15 southern California. It appears that aging power
16 plants helped alleviate some of this congestion.

17 To address near-term supply issues and
18 reliability concerns the Committee recommends that
19 all investor-owned and municipal utilities work
20 aggressively to attain the 2007 statewide goal of
21 5 percent peak demand reduction through the demand
22 response programs.

23 In the Committee draft policy report
24 there are a number of specific suggestions such as
25 modification of the tariff design, immediate

1 rollout of advanced metering systems, and
2 development of dynamic rate offerings and load
3 control options.

4 The Committee recommends that the Energy
5 Commission work with the Public Utilities
6 Commission to develop a capacity market that
7 includes capacity tagging mechanism and tradeable
8 capacity rights. The PUC will be holding a
9 capacity market workshop on October 4th and 5th in
10 San Francisco.

11 The Committee also recommends that the
12 Energy Commission, the PUC and all utilities
13 enhance supply management by establishing more
14 closely coordinated planning and reserve sharing,
15 pursuing cost effective seasonal exchanges with
16 the Pacific Northwest, and exploring opportunities
17 to use existing pumping storage facilities more
18 fully.

19 Although the Committee poses these
20 short-term solutions, they also recognize these
21 solutions should not interfere with long-term
22 goals for our electricity system. Transmission
23 upgrades and expansions are critical to insuring a
24 reliable electricity system.

25 However, transmission expansions

1 typically have long lead times that must be
2 considered during the planning process. SB-1565,
3 recently signed into law, requires the Energy
4 Commission to adopt a strategic plan for the
5 state's electric transmission grid.

6 The Committee recommends that the Energy
7 Commission establish a comprehensive statewide
8 transmission planning process with the Public
9 Utilities Commission, Cal-ISO, key state and
10 federal agencies, stakeholders and interested
11 public. This transmission planning system must
12 recognize the long and useful life of transmission
13 assets, their public goods nature, identify
14 transmission corridors and consider access to the
15 state's renewable energy resources.

16 The Committee further recommends the
17 Energy Commission increase its participation in
18 the joint transmission study group on the
19 Tehachapi wind resources area. Work with the PUC
20 to establish a joint study group for Imperial
21 County's geothermal resources. And work with the
22 PUC and the Cal-ISO to investigate whether changes
23 are needed to the Cal-ISO tariff to meet
24 transmission needs for renewables.

25 While the Governor supports a 33 percent

1 goal by 2020, in his veto letter on SB-1478 he
2 objected to provisions that would impede progress
3 on renewables. The Committee recommends that the
4 state enact legislation to require all retail
5 suppliers of electricity, including large,
6 publicly owned electric utilities, to meet a 33
7 percent eligible renewable goal by 2020.

8 Because much of the technical renewable
9 potential lies in the Southern California Edison
10 service area, and because SCE has demonstrated
11 strong leadership in achieving renewable
12 development and indicated they will meet the 20
13 percent goal some time this year, the Committee
14 recommends that the state enact legislation that
15 allows the PUC to require SCE to purchase at least
16 1 percent of additional renewable energy per year
17 between 2006 and 2020.

18 For PG&E and SDG&E the Committee
19 believes the 20 percent target by 2010 is
20 reasonable and should not be adjusted.

21 The Committee also recommends the
22 repowering of wind turbines to harness wind
23 resources efficiently and prevent bird deaths.
24 Since the draft document was released the federal
25 tax production credit which expired in December of

1 2003, was extended by Congress to 2005. Although
2 not yet signed, the American Wind Energy
3 Association has indicated that President Bush is
4 expected to sign the bill. Passage of this bill
5 will help several stalled wind projects come
6 online.

7 The Committee further recommends the PUC
8 require investor-owned utilities to facilitate
9 repowerings in its pending effort to develop
10 renegotiated qualifying facilities contracts.

11 Although the Energy Commission will
12 launch a performance-based PV incentive pilot
13 program in 2005, the Committee makes this an
14 official recommendation to reinforce this program.

15 Lastly, the Committee recommends that
16 the Energy Commission continue to assist the
17 Governor's solar initiative to achieve greater
18 market penetration of PV systems.

19 As Commissioner Geesman indicated
20 earlier, this hearing is one in a series of
21 hearings around the state. On October 20th the
22 Committee will publish its final draft update,
23 which will also report on the state's progress on
24 recommendations made in the 2003 energy report.

25 The full Energy Commission will consider

1 policy recommendations for adoption at our
2 November 3rd business meeting. We appreciate any
3 written comments being received by October 13th.

4 And with that I'd like to turn this back
5 over to the Committee.

6 PRESIDING MEMBER GEESMAN: Thank you
7 very much. The first speaker will be Shirley
8 Vaine.

9 MS. VAINE: Thank you. I have a few
10 prepared remarks. I didn't think I'd be here in
11 person, so, just a couple questions that I hope
12 will be gone into in further detail in your next
13 report.

14 One of the questions has to do if
15 there's been any projections for a nuclear power
16 plant phaseout of particularly SONGS and Diablo
17 Canyon. And if so, what are the phaseout plans?
18 I see it's kind of general in this report I was
19 reading. And if no, the steam generator
20 replacement, if it's denied, then how will the CEC
21 provide the power.

22 Another question that we have is what is
23 the CEC's position on expanded storage of high-
24 level, radioactive waste. We're kind of running
25 out of room, I know, the SONGS and at the Diablo

1 Canyon.

2 The third question is the CEC's concern
3 about the security of California's nuclear
4 facilities. Are we thinking about that, and if
5 not, why not.

6 And primarily that's it. Thank you very
7 much.

8 COMMISSIONER BOYD: Commissioner
9 Geesman, I'd like to respond to a couple of these
10 right now.

11 So, you're right, question number one is
12 something that we've already identified we'll talk
13 about in the 2005 document. And so I'll defer it
14 until the debate on that subject.

15 But, as the state's liaison with the
16 Nuclear Regulatory Commission, I have fairly
17 intimate knowledge about some of these issues.
18 And let me answer your question about -- your
19 second question about expanded storage facilities.

20 The CEC has not taken an official
21 position, but you can infer from the fact that the
22 CEC has not engaged as an intervenor in the PUC
23 hearings, or has not intervened as an opponent
24 before the NRC on the so-called dry-cast storage
25 facilities, that we're a little less than neutral,

1 quite frankly.

2 And as the one who personally has to get
3 involved in this, I'm personally disappointed that
4 the nation has been unable to solve its nuclear
5 waste storage facility. And I think that is the
6 Achilles heel to the whole system. And therefore
7 plants are stuck with this accumulating waste.
8 And quite frankly I'd rather see them in dry cast
9 storage than sitting in the pools.

10 So, at the moment we're not opposing the
11 creation of dry cast storage, as we're still
12 encouraging the federal government to keep with
13 their 25-year-old commitment to solve the problem.

14 Last, your third question about
15 security, yes, the CEC is concerned about
16 security. And I have personally, with our staff,
17 looked at the security issues and we stay on top
18 of the issue with the NRC on an almost daily
19 basis. And we're well plugged into the Homeland
20 Security and State Office of Emergency Service
21 aspects of that.

22 And, frankly, that's about all I can say
23 or somebody will cart me away. So, yes, we're
24 concerned; and yes, we do follow the issue.

25 PRESIDING MEMBER GEESMAN: Thanks for

1 your comments.

2 Alan Sweedler.

3 DR. SWEEDLER: I have a presentation.

4 Would it be better if I go there or stay here?

5 It's okay to stay -- thank you.

6 (Pause.)

7 DR. SWEEDLER: Thank you very much.

8 Good morning. And I'd like to welcome you to San

9 Diego and for many of us involved in energy

10 activities --

11 PRESIDING MEMBER GEESMAN: Alan, can I

12 rudely interrupt you?

13 DR. SWEEDLER: Yes, you --

14 PRESIDING MEMBER GEESMAN: The gentleman

15 walking around the room who happens to be the

16 Advisor to the Chairman has volunteered to be our

17 Public Adviser today. And so you see him walking

18 around with a blue card. Anybody who decides they

19 want to sign up to testify, please give Rick a

20 blue card and he'll take care of it for us.

21 Thank you, Rick.

22 DR. SWEEDLER: Thank you. I want, as I

23 mentioned, to welcome you to San Diego and to let

24 you know we really appreciate the fact that you're

25 taking the time to come down and learn about the

1 issues we have here.

2 My name is Alan Sweedler; I'm the
3 Director of the Center for Energy Studies and
4 Professor of Physics at San Diego State
5 University. But like many people in energy, I
6 wear some other hats, too. I'm a researcher at
7 the Southwest Center for Environmental Research
8 and Policy. And I'm also currently serving as the
9 Chairman of the San Diego Regional Energy Office.

10 And today what I'd like to do is discuss
11 energy issues in San Diego, but also, because they
12 are important to us, bring in the California, Baja
13 California binational region.

14 So I'll discuss three things today.
15 Energy planning in the binational region. Also to
16 present to you some energy portfolios that have
17 been developed for various plans and the related
18 air emissions associated with those portfolios.

19 And then to let you know of an effort
20 taking place here which is referred to as the
21 renewable energy working group.

22 So, first let me show you a little map
23 of what we consider the binational region. You
24 notice that I refer to the region as binational
25 rather than border region. And that's on purpose

1 because border implies a line, a small area. But
2 the fact is, particularly with respect to energy
3 and environmental issues, we're talking about a
4 whole significant part of California, at least in
5 the southern part of the state, and of northern
6 Baja California.

7 So the binational region is considered
8 the full County of San Diego and Imperial County
9 in California and what's known in Mexico as
10 municipios, which is close to what we would call
11 counties of Tijuana, Tecate, there's one Rosarito,
12 which isn't quite -- wasn't on this map -- and
13 Mexicali and Ensenada.

14 This also is the region defined by
15 treaty between the United States and Mexico, a 100
16 kilometer zone between north and south of the
17 border.

18 Now, of course, what's driving energy
19 demand and usage in the region is the, in my mind
20 at least, astounding population numbers that were
21 experienced here. We see now at about 2005, we're
22 close -- or 2004 we're close to about 6 million
23 people in this binational region. And by 2020 we
24 will have 9 million or maybe more depending on
25 projections that people use.

1 In addition to the absolute number of
2 people now, in this region, or will be shortly and
3 existing now, you notice that for the first time
4 in the history of this whole area between the
5 United States and Mexico there will be more people
6 on the Mexican side of the border in a very short
7 period of time. That has never happened before.

8 And I would argue and suggest to you that this has
9 dramatic implications for energy planning in this
10 portion of California, as well as our neighbors to
11 the south.

12 These are the main issues as we see them
13 here in San Diego. And they do fit in very --
14 they should become elements of any integrated plan
15 that deals with the California energy.

16 The first thing is that both San Diego
17 and Baja California are totally dependent on
18 energy resources from outside the region. Now,
19 that doesn't limit itself to energy. We're both,
20 the two sides of the border, at the end of the
21 pipeline, so to speak, in our respective countries
22 and states. With respect to water, as well as
23 energy.

24 So, we import, in fact, virtually all of
25 our energy. And even though we may generate

1 electricity in the County; of course, we have to
2 import the natural gas for that. So, if you look
3 at the broad energy picture we import all of our
4 energy supplies.

5 And we also import probably over 90
6 percent of our water, as well. And energy and
7 water, as you know, are intimately connected. So
8 there is a very close relationship of the two.

9 Baja California also is completely
10 isolated from the rest of Mexico, and it must also
11 import its water and energy. So, in a sense we,
12 in the worst of situations we could end up in
13 competition; in the best of situations with proper
14 planning, which I hope emerges from these
15 discussions, we will become more energy partners.

16 As I mentioned, the current population
17 is about 6 million, and it's projected to grow to
18 9.

19 The demand for power in Baja California,
20 because of this growth, is expected to grow
21 between 6 and 7 percent per year, much greater
22 than in San Diego. And reason for that isn't just
23 the population growth. The per capita increase is
24 growing dramatically in Mexico. And this is
25 because one is witnessing the developing nation

1 becoming a more developed nation. Particularly in
2 the northern part of the region.

3 Most Americans don't realize that
4 Tijuana has the highest per capita income in all
5 of Mexico. We may view it somewhat differently
6 from this side of the border, but within Mexico
7 it's considered a very wealthy area. And part of
8 the reason for that is that it has an expanding
9 commercial and industrial sector.

10 And so the population is growing, but
11 also there is an increasing middle class which is
12 demanding more energy services, which most people
13 would say is a good thing. We're witnessing
14 development, and that creates more opportunities.
15 But it has strain on the environment and energy.

16 The same thing holds for natural gas
17 which is increasing at 7 percent annually, which
18 is a phenomenal growth rate, doubling time ten
19 years. Even though in San Diego it's at a lower
20 rate.

21 But, of course, the growth rate in San
22 Diego is occurring from a much larger number. So
23 the absolute numbers are significant on both sides
24 of the border.

25 Currently the main energy resources are

1 conventional fuels, natural gas, geothermal, oil -
2 - transportation, I'm including transportation in
3 some of this discussion -- and, of course, uranium
4 for San Onofre. Although growing, there still
5 very small amounts of solar and wind in the
6 region.

7 Here's some more details that would be
8 useful to have in the record and to consider in
9 part of the plan. As I mentioned, for San Diego
10 County the growth rate is projected to be only
11 about 1.5 percent. And that's partly due to our
12 very good energy efficiency programs that we take
13 very seriously here, even though we have a growing
14 population.

15 But on the other side of the border you
16 have quite a different situation where you have
17 very very high growth rates, historically, as you
18 can see, from '97 to 2002. And then projected
19 into the -- fairly accurate projections because
20 the timeframe is short. In Tijuana, itself, it's
21 8.3 percent, which has been the case for the past
22 five years or so. So that's something -- that
23 energy has to come from somewhere.

24 If we now look at little bit at the
25 energy infrastructure, and in this case I'm

1 showing from Baja California, but it's related to
2 California. You can see that there is -- guess my
3 little pointer doesn't show up -- anyway, the red
4 stars are power plants that are in the region.
5 The installed capacity in Baja California is
6 actually greater than it is in San Diego now.
7 It's 4000 megawatts. Installed capacity in San
8 Diego I believe is about 2500 or so installed in
9 the region.

10 There are two main power plants that
11 have recently been built by Intega (phonetic) and
12 Semptra in the Mexicali region. And there's a very
13 large, almost 800 megawatt geothermal plant, which
14 isn't shown on the map, but it's just south of
15 Mexicali.

16 And then there's the very large 1000
17 megawatt complex in Rosarito which burns now about
18 two-thirds natural gas, but also fuel oil. Before
19 the conversion to natural gas took place, that
20 plant was the largest point source of air
21 emissions on the west coast of North America.
22 Much to the credit of the Mexican authorities and
23 to cooperative programs that provide natural gas
24 from the United States, those plants are now
25 cleaner, but still they are major fossil fuel

1 burning plants.

2 Also, right beneath that is shown the
3 potential site for a liquid natural gas. Just to
4 the north in the U.S. the South Bay Power Plant is
5 in the City of Chula Vista. The new Otay Mesa
6 proposed plant, which the Commission approved not
7 too long ago, is just about where that line, TGN,
8 which is Transmission and Gas Natural, crosses the
9 border. And then another plant which has recently
10 also been approved, Palomar, near Escondido, is in
11 the northern part of the County.

12 That's the major infrastructure. And
13 you can see there's a gas pipeline, a large gas
14 pipeline called the Baja Norte pipeline bringing
15 gas down from Blythe, originating in Texas, all
16 the way to service primarily the plants in
17 Mexicali, as well as in Rosarito.

18 The message of this slide is that
19 regardless of the regulations or the rhetoric, the
20 fact on the ground is that San Diego and Imperial
21 County, and northern Mexico are already integrated
22 in their energy systems.

23 At the same time, however, there's no
24 planning or no oversight entity, or even informal
25 entity that is discussing these plans outside of

1 the few that I'll mention. So the planning and
2 plants are taking place on an ad hoc basis, rather
3 than as part of any integrated energy plan, which
4 to my mind, would be very relevant to the report
5 that you're preparing.

6 Could you advance that, please. Go
7 back. Okay, how is one to meet these expected
8 growth and demand. Well, there's no mystery here.
9 It's pretty self evident. One can either increase
10 the supply of conventional fuels, oil, natural
11 gas, coal, uranium, which in many people's views,
12 including my own, would not be a particularly
13 desirable thing to do, both economically and also
14 from the environmental perspective.

15 Preferably would be to increase the
16 supply of renewable energy resources in the
17 region, solar, wind, biomass, geothermal. I'll
18 talk about that in a moment.

19 Reduce demand. Demand side management,
20 energy efficiency, time-of-day pricing, for better
21 or worse, I think experience has shown that the
22 best message for conservation is increased prices.
23 But nevertheless that has economic downsides.

24 And, of course, what we're more likely
25 to see and what we are seeing is a combination of

1 all of the above. And the art of energy planning
2 seems to me, how do you balance all of these
3 various different possibilities. And that's what
4 we're dealing with in the region here.

5 To give you an overview of energy
6 planning in San Diego and in the binational region
7 I've just listed some of the activities and some
8 of you, both staff and you, yourselves, as
9 Commissioners, are involved in these.

10 About two years ago a regional energy
11 policy advisory council was formed, REPAC.
12 Organized by the San Diego Regional Energy Office,
13 but consisting of a broad range of stakeholders.
14 This group met for close to two years and
15 developed an energy plan called the regional
16 energy strategy, which has since been adopted by
17 the San Diego Association of Governments, the COG,
18 the Council of Governments in this region, as the
19 official plan, energy plan for San Diego.

20 And obviously this needs to be
21 integrated into your energy plan, because part of
22 your integrated energy plan is going to include
23 San Diego. So, we need to make sure that that
24 happens. And I think that will happen because
25 Chris Tooker was down here; Mike Smith has been

1 down. And you, yourselves, have been here. So
2 there's plenty of communication. But we do need
3 to be sure that our energy plan becomes part of
4 the state plan, or at least it's provided as input
5 to it.

6 In order to carry out this plan, SanDAG
7 created something called the energy working group,
8 of which I'm a member, and several other people in
9 the room are. And the energy working group is a
10 committee of SanDAG, it's actually a subcommittee,
11 that is charged with implementing, facilitating
12 and fostering the regional energy strategy, as
13 well as other energy strategies that might emerge
14 in the region.

15 This is part of what we call the
16 regional comprehensive plan. There's a
17 comprehensive plan that deals with many aspects of
18 San Diego, transportation, economics, jobs, et
19 cetera. Energy is a major element of that and the
20 regional energy strategy is the energy plan of the
21 regional comprehensive plan at the moment.

22 In addition to the regional energy
23 strategy, San Diego Gas and Electric has developed
24 a long-term resource plan which has been presented
25 to the PUC in July. And the energy working group

1 and SDG&E are working very closely together to try
2 to craft the joint plan that will be brought to
3 the PUC at some point from the region, rather than
4 from just the utility. And that's one of the main
5 tasks that the energy working group is involved in
6 at the moment.

7 In the binational area the Border Energy
8 Issues Group, which Commissioner Boyd and myself
9 are members, that is jointly sponsored by the San
10 Diego Association of Governments. And we have
11 some of the staff people here, Hector and Jane are
12 involved in that.

13 And you can see it's truly binational.
14 The Counsel General of Mexico is a co-convener.
15 And we meet regularly to discuss binational
16 issues. Tijuana for Baja is a citizens group in
17 Tijuana working on energy issues. The Border
18 Powers working group is a nongovernmental
19 organization. The Board of 2012 air working
20 group, which is the Environmental Protection
21 Agency and the Mexican Environmental Protection
22 Agency called Semarnat.

23 The Southwest Consortium for
24 Environmental Research and Policy and Rick Van
25 Schoik who is the managing director of that is

1 here. And then the Western Governors Energy
2 working group which Commissioner Boyd has also
3 been very active.

4 So, all of these activities are going
5 on. And I think the task will be to integrate
6 them into your integrated energy research report.

7 Just very briefly I mentioned what these
8 different plans are and what they are trying to
9 accomplish. So I've already covered this.

10 Now, some interesting results have
11 appeared from this. This is some work that's been
12 done by a variety of people; and we've pulled it
13 together at San Diego State University.

14 What this shows is a comparison between
15 some of the plans that are being suggested. The
16 regional energy strategy which is on the left-hand
17 side, which is for 2014. And then the San Diego
18 Gas and Electric long-term resource plan, the
19 demand. And the multi-colored bars show how that
20 demand will be met in three different
21 configurations.

22 One is the regional energy strategy.
23 The other is two different configurations from the
24 long-term resource plan of SDG&E. The first
25 configuration is with the two main power plants.

1 And since you're talking about aging power plants,
2 that's the reason I brought this slide.

3 Configuration number one is including
4 the two power plants we have in this region, which
5 as you know is called Encina or Carlsbad, whatever
6 you want to call it, up in the City of Carlsbad,
7 northern part of the County, of 900 megawatts; and
8 the South Bay Power Plant at Chula Vista, about
9 700 megawatts.

10 These plants are 30 years or more old.
11 And I would consider them, most people do, aging
12 power plants. They're steam generating plants;
13 they're not combined cycle. They burn natural
14 gas.

15 The second configuration is meeting the
16 power demand. The first one is with the plants
17 retired; the second one is with the plants
18 ongoing. And what we've done is we have, with the
19 model that we've developed we've been able to
20 determine the air quality implications of the
21 different power configurations which I would urge
22 you to consider in the report, as well. The
23 environmental impact of the different scenarios
24 that develop.

25 And you can see the result is dramatic,

1 that if you decommission those two aging power
2 plants you get more power than you have today; you
3 meet the demand. But compared to the 2001
4 emissions there's a significant reduction, almost
5 8000 tons of pollutants.

6 Whereas if those two plants are kept you
7 can still meet demand if you look at an energy
8 chart; but when you look at air emissions you see
9 there's very little reduction. So there's some
10 definite environmental benefits to retiring those
11 plants.

12 Now, a study I want to make you aware
13 of, although we don't have results yet, but we
14 will soon, is called the renewable energy study
15 group for the greater San Diego region. The
16 purpose of this study is a potential for renewable
17 energy that could be developed in both San Diego,
18 Imperial and the border region -- and the
19 binational region.

20 Right now we're focusing on the
21 technical and economic aspects and not on policy
22 issues, although that could come later. It's an
23 ad hoc group. It doesn't have any outside
24 funding, although it would be appreciated if that
25 emerged, but it's not really necessary at this

1 point. A group of energy specialists from San
2 Diego State University, SDG&E, Qualcomm, San Diego
3 Regional Energy Office, SoCalGas, the Universidad
4 Atonoma de Baja California, which is our Mexican
5 University, and the National Renewable Energy
6 Laboratory.

7 I think it's important to recognize that
8 these are major energy players in the region, and
9 we're all working together in this group to try to
10 come up with an accurate assessment of the
11 renewable potential in the region.

12 And if we can get that done by the time
13 you're -- in time, not for the 2004 report, but
14 maybe with the 2005 report, we would like very
15 much to make those results available to you.

16 PRESIDING MEMBER GEESMAN: What's your
17 current expectation as to --

18 DR. SWEEDLER: I have my last slide give
19 that, so it will show you in more detail.

20 This is the resources that we're looking
21 at, wind, solar, both PV and thermal, biomass,
22 geothermal. The region in the study is San Diego,
23 Imperial, the municipios I mentioned in Baja
24 California.

25 Now, this workshop also deals with

1 transmission. And what we're finding in our
2 preliminary work is that some of the renewables
3 that may be available cannot be brought to market
4 because of transmission bottlenecks, or lack of
5 transmission.

6 So transmission, as it relates to
7 renewables, is an important part of any integrated
8 energy plan.

9 And some of the specific issues that I
10 mentioned, transmission access, security,
11 regulatory questions and environmental standards.
12 Now, when we talk about security in this planning
13 process we're not talking about the terrorist type
14 of security that was mentioned earlier. We're
15 talking about the fact that if we have an
16 integrated energy sector between Mexico and the
17 U.S., Baja California, California, we buy
18 electricity, maybe even get liquified natural gas
19 from Mexico at some point. And we supply them
20 with gas to generate that electricity. If there's
21 a gas crunch in the U.S. and they are considered
22 secondary customers and we cut off gas to them,
23 we're cutting off our own noses despite ourselves,
24 because that electricity is used across for us.

25 So when the planners think about natural

1 gas and electricity, they can't think only in
2 national terms. They have to think, in this
3 region anyway, in binational terms. But there's
4 none of that in any of the legislation we're
5 talking about.

6 We had an issue like that. I think many
7 of you know we used to import almost 10 percent of
8 our electricity from Mexico, and they actually
9 shipped power across during the crisis in 2001.
10 But that depended on them getting the natural gas
11 from us. If we cut that off for whatever reason,
12 we have a real dangerous situation. So, when we
13 talk about security we mean security of supplies,
14 security of contracts.

15 The time scale, to answer the question,
16 we hope the wind analysis will be completed by
17 November; solar analysis, PV, by January; the
18 geothermal analysis by February; and the biomass
19 by March. We hope in March we'll have a full
20 report available. And when that is it has to be
21 peer reviewed, et cetera. There's a lot of steps
22 that take place. But when that's done, of course,
23 that will be -- I hope that fits into your time
24 scale with your 2005 report.

25 PRESIDING MEMBER GEESMAN: It's quite

1 compatible.

2 DR. SWEEDLER: Oh, great.

3 PRESIDING MEMBER GEESMAN: I should say
4 that the window closes for primary input into our
5 underlying staff documents probably some time in
6 June.

7 DR. SWEEDLER: Okay, --

8 PRESIDING MEMBER GEESMAN: So, I think
9 it's quite compatible.

10 DR. SWEEDLER: And quite a few people
11 who are involved in that study, Dave Geier and
12 Caroline Winn from SDG&E, Scott Anders from San
13 Diego Regional Energy Office, Rick Van Schoik from
14 Southwest Center for Environmental Research and
15 Policy.

16 That concludes my remarks; thank you
17 very much.

18 PRESIDING MEMBER GEESMAN: Alan, thank
19 you. I really want to commit our efforts in the
20 '05 cycle to making this binational regional
21 planning issue a high priority and a high
22 visibility priority.

23 Governor Schwarzenegger, I think, has
24 been pretty clear about his interest in pursuing
25 this topic. And I think that there's a lot to be

1 gained by people on both sides of the border, and
2 certainly as you make the projections out to 2020,
3 that's likely to increasingly be the case.

4 So, I think you can expect us to treat
5 it as among our primary focal points for the '05
6 cycle.

7 DR. SWEEDLER: We appreciate that very
8 much. And as you can see, we're able to host here
9 in San Diego some of your meetings. And there was
10 some discussion about having a full-day workshop
11 just on border issues. And, of course, if we have
12 it in San Diego that will provide you an
13 opportunity to hear from our Mexican colleagues
14 who live close by, and to get their perspective
15 directly and how it fits in with your planning,
16 which I think will benefit people on both sides of
17 the border.

18 PRESIDING MEMBER GEESMAN: Yes, you can
19 count on us to take full advantage of your
20 hospitality.

21 DR. SWEEDLER: Thank you.

22 PRESIDING MEMBER GEESMAN: Commissioner
23 Boyd.

24 COMMISSIONER BOYD: Thanks, Alan. As
25 Alan mentioned, we've gotten to know each other

1 quite well the last couple of years, working
2 together on border issues, and through my
3 membership with the group down here, and as
4 California's representative to the Board of
5 Governors, I've been carrying some of the work we
6 do here and the work that Alan's pursuing has
7 frankly helped the State of Baja meet some of
8 their commitments with regard to the Board of
9 Governors activities.

10 And as Commissioner Geesman indicated,
11 I'm gratified to see that Governor Schwarzenegger
12 has shown quite a bit of interest in the border
13 issue. He did appear at the Board of Governors
14 Conference here recently and in the Baja. The
15 Governor seemed to hit it off quite well and have
16 a dialogue going. And so that will do nothing but
17 help facilitate what it is we've been talking
18 about trying to do here for quite some time.

19 So, very much appreciate all that you're
20 doing. And there's a lot more needs to be done,
21 as you've indicated. And really look forward to
22 that renewables study because that's quite
23 important to helping us. And as you and I have
24 discussed ad nauseam, you know, we've got to erase
25 that border for planning purposes with regard to

1 this energy issue.

2 So, thank you very much.

3 PRESIDING MEMBER GEESMAN: Okay. Next
4 speaker I've got is David Geier, San Diego Gas and
5 Electric.

6 MR. GEIER: Commissioner Geesman and
7 Commissioner Boyd, thank you again for coming to
8 San Diego. I think it's important that we have
9 meetings like this regionally, and hopefully
10 you'll get some input here that will help us in
11 the process.

12 As you may recall, I made a presentation
13 at the August 23rd meeting, and I'll focus my
14 comments today again in the transmission area.
15 But I thought it would be worth giving you an
16 update on two of the major projects we have going.
17 And so you can sort of see that San Diego is in
18 need of this transmission and we are moving
19 forward.

20 The first project is our Miguel Mission
21 No. 2 project; that project was one of the poster
22 childs for our current licensing process. And I
23 won't go into all the gory details, but as you
24 know, it took well over two years to approve the
25 CPCN for that project. It was originally planned

1 to be in service by next summer. As approved,
2 that project was approved in July and that
3 project's inservice date of 2006, July.

4 Now, -- and I'm happy to report that we
5 are rolling bulldozers and we have full
6 cooperation with the PUC and the environmental
7 inspectors. We're making really good progress
8 moving forward with that project.

9 What has happened in the last probably
10 nine months is the congestion costs and the
11 reliability/must-run, the RMR costs, have just
12 went through the ceiling. And for San Diego's
13 ratepayers we have went from a cost that was less
14 than \$100 million two years ago, this year the
15 cost was in excess of \$150 million; and the
16 projection for '05 is in excess of \$200 million.

17 That has taken all of us back. And if
18 you start looking at that, what that costs our
19 customers, individual customers, it just becomes
20 an extreme issue.

21 So what we've done is we've challenged
22 our engineers to go back and look at is there any
23 way of building that project for the 2005 summer
24 peak. We have come up with a temporary solution.
25 It will require going back to the Commission with

1 a formal petition modified process. We plan to do
2 that very shortly.

3 And we believe we have a plan that we
4 can comply with the environmental requirements.
5 There are some slight changes that we'll be asking
6 the Commission for approval for, but with the
7 Commission's approval, we will have -- we have a
8 plan in place that could put that line in service
9 as soon as -- we could not make the summer, but as
10 soon as September of '05. Now that would put it
11 in service approximately nine months earlier than
12 we had originally planned.

13 So we hope to move that forward. I'm
14 sure there will be a lot of questions on that. As
15 you know, the licensing process drug along for
16 over two years, but we hope that we can expedite
17 this, and hopefully get some savings for our
18 customers here in San Diego.

19 PRESIDING MEMBER GEESMAN: When do you
20 envision filing something with the CPUC?

21 MR. GEIER: We will file that very
22 shortly, within a week actually.

23 PRESIDING MEMBER GEESMAN: And is that
24 an advice letter type filing or is it something
25 more than that?

1 MR. GEIER: It's something more, it's a
2 petition to modify, actually.

3 PRESIDING MEMBER GEESMAN: Okay.

4 MR. GEIER: And so we hope to go the
5 variance route, which is sort of the lowest level
6 of change there. But it does require a petition
7 to modify.

8 PRESIDING MEMBER GEESMAN: I have seen,
9 I don't know how widely circulated, but I've seen
10 a letter of support from the Cal-ISO for the
11 acceleration. And I think that the project has a
12 great deal of belated attention and visibility in
13 Sacramento. But I think we would be eager to see
14 your filing and provide what assistance or input
15 would be helpful.

16 MR. GEIER: That would be greatly
17 appreciated.

18 The second project I'd like to talk
19 about is at the August meeting we talked about the
20 need, as Alan mentioned, for new transmission to
21 bring renewables into the region.

22 And a key cornerstone of that, both for
23 reliability and for access to renewables, would be
24 an additional 500 kV line into San Diego. That
25 process has begun, also. We have just really

1 started, sort of scratched the surface of planning
2 on that.

3 But from a reliability perspective,
4 there are 47 500 kV lines in the State of
5 California, and there's one in San Diego, one that
6 serves San Diego.

7 We hit a new system peak on September
8 10th, which was a Friday, the Friday after Labor
9 Day. We hit a peak of 4065 megawatts. That was
10 the first peak we've had since 1998, and actually
11 that peak was really just, as Alan mentioned, sort
12 of normal forecast and the adverse weather
13 forecast. That was really right at the normal
14 forecast. So, you know, we really think that if
15 we had adverse weather we could see another
16 additional maybe 300 megawatts was our forecast.

17 Our, we call the Southwest power link,
18 the one 500 kV line has tripped out three times in
19 the last month. It tripped out once the Monday
20 after, on the 13th, after the peak. If it would
21 have tripped out on the 10th, we could have had
22 some serious problems.

23 Now, planning criteria takes this into
24 account, so you know, we can lose that line, which
25 we have three times, twice due to the fog rolling

1 in for the first time after the summer here, and
2 the third one was a fire that was actually, by
3 national issue, was down started in Mexico and
4 came across the border.

5 But three times within a month, and you
6 know, we plan -- the planners look at the
7 contingencies, but in two of those three cases we
8 also had an additional 230 kV line that tripped
9 out during that time.

10 So, our concern from a reliability
11 perspective is, you know, we don't want the stars
12 to line up in the wrong way here and have a major
13 liability issue for San Diego.

14 The next piece, of course, is the
15 renewable that one of your study groups will be
16 the Salton Sea. Really a new transmission line
17 will be needed to bring that renewable power into
18 the populated areas of California. Also that the
19 Imperial Irrigation District expressed a lot of
20 interest in that line, also. So we have had
21 discussions with them.

22 At the August meeting it was very
23 encouraging to hear from the State Parks system
24 that, you know, we really -- one of my closing
25 slides at that time was we need cooperations with

1 all the agencies, and that really hasn't changed.

2 What SDG&E has done is that we have, as
3 of last week, we've named a project manager for
4 this project. She is with us today, Laura
5 McDonald. She's usually not that quiet.

6 (Laughter.)

7 MR. GEIER: But Laura actually brings an
8 extensive background of not only working on major
9 energy projects, but also working with elected
10 officials. And we plan to team Laura with a
11 technical expert and really get this process
12 moving.

13 We actually have a presentation tomorrow
14 with the Southwest Transmission Expansion Plan
15 Group, the STEP group, as most folks know in the
16 industry. We'll be doing some introduction, and
17 really, that is really the first look at some of
18 the alternatives, just really starting the
19 planning process.

20 But I guess, in conclusion, there is a
21 lot of activity in the transmission area here in
22 San Diego. It's key to both reliability and to
23 deliver the renewable resources. And we are very
24 excited about the work you're doing. And
25 obviously we want to be a major player in this

1 activity, also.

2 And I think, again, with cooperation we
3 can make all these energy goals come together.
4 Thank you.

5 PRESIDING MEMBER GEESMAN: Thanks for
6 your comments, Dave. Let me kind of reiterate the
7 frustration that I voiced on this a couple of
8 times in the past.

9 I do think this region, particularly as
10 it relates to transmission, suffers from a
11 curvature of the earth problem. From Sacramento
12 and from San Francisco you are over our horizon.
13 And as a consequence I think we are unduly slow to
14 recognize some of the problems.

15 The permitting and planning process as
16 we, as state government, have put into place have
17 caused here, I think that your focus rightfully
18 has been a reliability focus in the local region.
19 But more broadly there are important economic
20 considerations that electricity users north of you
21 end up facing based on our lack of progress in
22 upgrading the transmission grid within your
23 service territory.

24 I think some of the problems that we've
25 seen in the Edison service territory this summer

1 could have been mitigated had we been a little
2 more focused in past years on the necessity for a
3 Valley-Rainbow line or some other north/south
4 connection of your system with the rest of the
5 southern California grid.

6 I also think that we would be
7 facilitating more imports from the states to the
8 east and the plants south of the border had we not
9 experienced the inexplicable delay on processing
10 the Mission Miguel upgrade.

11 You know, the Mission Miguel is a pretty
12 good example of the sheer inexplicability of the
13 problems that our permitting process faces.
14 Because throughout, that has been represented as a
15 noncontroversial, largely unopposed project. It
16 was purely state government inertia that created
17 the delays. Quite literally, I think the
18 paperwork simply sat on a shelf somewhere.

19 And we need to move beyond that, and
20 move pretty aggressively beyond that if we are
21 going to catch up with the population growth and
22 the economic growth, not only here in San Diego,
23 but throughout California. And as we heard this
24 morning, throughout northern Baja.

25 So I would encourage you to stay on our

1 backs, get in our faces. We seem to only learn
2 from experience. Sometimes that's a pretty blunt
3 instrument, but I think that state government very
4 much needs to be held to account on these issues.

5 Now, on a slightly separate subject, I
6 was very impressed by the Parks Department remarks
7 at our August workshop. And I would encourage you
8 to broaden your contacts as it relates to those
9 state park issues to the whole latticework of
10 different interest groups and volunteer committees
11 and perceived private citizen supporters of the
12 park, so that they are fully informed of your
13 plans as they move forward.

14 And I think you'll find a better
15 permitting path to the extent that you're able to
16 do that. And I would attach a high priority to
17 that because of the importance of the state's
18 renewable goals.

19 MR. GEIER: Thank you.

20 PRESIDING MEMBER GEESMAN: Commissioner
21 Boyd.

22 COMMISSIONER BOYD: Well, I just want to
23 comment John, that he has no passion for
24 transmission. I'm surprised you didn't volunteer
25 to drive one of the Caterpillars tractors to speed

1 up the process.

2 And I also wanted just to comment on the
3 over-the-horizon problem. It certainly seems to
4 be true in the energy area, I would certainly
5 concur with that, as a long-time veteran of
6 California State Government.

7 However, governor after governor, we've
8 always been surprised with the juice that San
9 Diego seems to have in Sacramento. So it just
10 hasn't worked in the energy area, though, so to
11 speak. I remember Mayor Wilson.

12 In any event, I'm glad to hear the
13 acceleration of schedule, and with Commissioner
14 Geesman leading the charge on transmission,
15 hopefully our agency will keep that issue kind of
16 front and center, as something that needs to be
17 dealt with.

18 And I think we've reasonably well, but
19 not completely, swept behind us all the turf
20 issues that seemed to contribute to some of these
21 delays in the past. Now, if they just don't blow
22 up our box, why everything will be just fine.

23 DR. SWEEDLER: Mr. Chairman?

24 PRESIDING MEMBER GEESMAN: Yes.

25 DR. SWEEDLER: Can one make comments?

1 PRESIDING MEMBER GEESMAN: Please.

2 DR. SWEEDLER: Thank you. They're
3 related to this discussion and our previous one.
4 In two of your slides, principal recommendations
5 transmission was a slide, and the one right after
6 that, principal recommendations renewables, I'd
7 like to make a specific suggestion.

8 I don't know how it would go into the
9 working group, into the report, but it's the
10 second bullet where it says work with CPUC to
11 establish a joint transmission study group for
12 Imperial County's known geothermal resources.

13 I would like to suggest that the members
14 of that group include some of the groups that I
15 mentioned in planning, specifically the energy
16 working group. Even though it's Imperial County
17 and maybe someone even from the renewables study
18 group that I mentioned.

19 Because geothermal resources are not
20 just limited to the Imperial County; they're in
21 that whole region. South of the border, in the
22 lower Rio Colorado Basin, et cetera, there. In
23 fact, there's considerable resources there. But
24 they need to be treated carefully because it's a
25 very sensitive environmental area.

1 So to have -- to broaden that group to
2 include, as I mentioned, at least the energy
3 working group and possibly the renewable study
4 group.

5 The second suggestion is the next slide,
6 principal recommendations renewables. First
7 bullet, 33 percent eligible renewables, I'd like
8 to have included somewhere in the report that that
9 would include renewables originating in Mexico.
10 Just as they would in Nevada or Oregon.

11 Because as we look at this region I
12 think we're going to find a good deal of renewable
13 potential and there's going to be no incentive for
14 anyone to develop that if the utilities can't
15 include that in their portfolio.

16 PRESIDING MEMBER GEESMAN: I think both
17 are good suggestions. As to the second, it would
18 be a clarification of our existing policy. We've
19 structured the renewable portfolio standard
20 consistent with NAFTA, so as not to discriminate
21 against resources anywhere in the WECC, which does
22 include both northern Baja and southern British
23 Columbia.

24 DR. SWEEDLER: So does that mean today
25 it's possible to count renewables in Mexico?

1 PRESIDING MEMBER GEESMAN: That's
2 correct. There is a deliverability requirement.

3 DR. SWEEDLER: So that's where the
4 transmission comes in.

5 PRESIDING MEMBER GEESMAN: Yeah.

6 DR. SWEEDLER: Okay. Well, that's good
7 news.

8 PRESIDING MEMBER GEESMAN: But I think
9 it's something that we can clarify in our report.
10 And I certainly think your recommendation to
11 broaden that Imperial study is a good one.

12 DR. SWEEDLER: Thank you.

13 COMMISSIONER BOYD: That's a good
14 suggestion, Alan, because maybe it's not over-the-
15 horizon dilemma, but, you know, all maps go black
16 at the border, so to speak.

17 DR. SWEEDLER: Air stops.

18 COMMISSIONER BOYD: Right. And as we
19 know, that's not true, so, good point.

20 PRESIDING MEMBER GEESMAN: Mike Evans.

21 MR. EVANS: Commissioner Geesman and
22 Commissioner Boyd, thank you for letting me come
23 and make some comments. I did bring written
24 copies of some of the comments.

25 (Pause.)

1 MR. EVANS: My name is Mike Evans; I'm
2 with Coral Power. And I'm pleased today to
3 present comments to the draft Committee report.
4 Our comments address two of the three main report
5 issues, transmission planning and renewable energy
6 development.

7 We support a proactive transmission
8 planning process including advanced identification
9 of potential transmission corridors, and advanced
10 procurement of right-of-ways to allow for reasoned
11 and managed development of adjacent lands.

12 We appreciate what the Commission has
13 pointed out in its report, and support that.

14 We support the CEC venue, which provides
15 for an integrated transmission planning approach.
16 Which includes both municipalities and investor-
17 owned utilities, an aspect critical in the
18 development of the Salton Sea geothermal resource
19 area, where a large portion of that area is
20 operated by the Imperial Irrigation District.

21 We agree that current transmission
22 planning tools understate the strategic benefit of
23 transmission lines as demonstrated in figures 3.1
24 and 3.2 of your report. This insurance value
25 which can exceed three times the cost of the line

1 needs to be part of the calculation of the
2 benefits of a transmission line.

3 We also support the Commission's goal to
4 establish a joint transmission study group for the
5 Imperial County geothermal resources. From the
6 report's recommendations on page 36 the Energy
7 Commission and the CPUC should establish a joint
8 transmission study group for Imperial County's
9 known geothermal resource areas with municipal and
10 investor-owned utilities, renewable developers,
11 Department of State Parks and Recreation and local
12 and planning regional agencies. Very pleased to
13 see that recommendation.

14 We are concerned, however, with the
15 piecemeal approach that investor-owned utilities
16 take to interconnecting generation stations,
17 typically responding to individual generation
18 interconnect requests and missing larger regional
19 issue associated with the development of potential
20 renewable resource areas such as Tehachapi and the
21 Salton Sea area.

22 We support the regional planning
23 concepts identified by the CEC in the draft IEPR.
24 We also support the CEC proposal to use tradeable,
25 unbundled renewable energy certificates as the

1 most efficient means to meet the state's renewable
2 energy goals, and allow smaller load-serving
3 entities to meet RPS goals.

4 We also support the WREGIS system, or
5 the Western Renewable Energy Generation
6 Information System for accounting for RECs. I
7 wanted to emphasize regional as opposed to state-
8 only.

9 Finally, we support a new transmission
10 line from the Salton Sea area to the San Diego
11 area, such as was identified in the transmission
12 white paper, the Imperial Valley/San Diego
13 Expansion Plan Transmission Line.

14 An ISEP line supports the accelerated
15 renewable portfolio standard targets, provides
16 needed SDG&E grid reliability requirements; it
17 provides access to renewable and economic energy
18 supplies. It displaces expensive RMR contracts.
19 And it provides considerable system contingency
20 benefits as it adds to the transmission grid
21 backbone.

22 So, thank you for letting me provide
23 those comments. And thank you for your work on
24 this report, we're very happy with the direction
25 it's taking.

1 PRESIDING MEMBER GEESMAN: Thanks, Mike.

2 You know, I will say the Governor's veto of SB-
3 1478 probably reemphasizes the need, more than
4 anything else that I can think of would do, for
5 trying to make some progress on this ISEP line.

6 It will be at least a year later, and
7 quite possibly longer than a year later, that we
8 do have a clear resolution of whether RECs will be
9 eligible to be counted by the IOUs in their
10 renewable portfolio standard program.

11 I think that it is increasingly clear
12 that the WREGIS accounting system will have to be
13 up and tested before a large-scale RECs program
14 across the region is fully functional and
15 available to the California IOUs. And it would
16 appear that the Governor's Office has a very
17 strong preference for that regional system, as
18 opposed to the type of instate-only more limited
19 approach that was embodied in SB-1478.

20 So I think that to the extent that you
21 can derive any message from the tea leaves, it
22 does place a greater emphasis on trying to move
23 forward with the physical hardware necessary to
24 harvest that Imperial Valley resource.

25 And I'm hopeful that perspective becomes

1 widespread in Sacramento. I think that a lot of
2 people are scratching their heads now because the
3 veto came as a surprise to I think almost
4 everybody. But we ought to use it as an
5 opportunity to move forward and try to derive some
6 positive message from it.

7 COMMISSIONER BOYD: If I could, Mike,
8 you mentioned the transmission corridors issue.
9 And sitting here in the hallowed halls of SanDAG
10 that I know from my 20 years at the Air Board is a
11 fairly aggressive COG, it reminds me of dialogue
12 and discussions we've had within the Commission
13 about this issue.

14 I mean one of my pet peeves as a native
15 of this state is poor quality land use planning,
16 I'll just put it that way. I say it differently
17 in some quarters, but.

18 And when we start talking about
19 transmission corridors, it just -- and you put
20 that in the context of the ever-accelerating
21 growth rate, and there's no middle-of-nowhere
22 anymore in California, it makes one think about
23 gee, it would be really good if government could
24 think about corridors that might facilitate
25 multiple types of municipal utility needs and

1 other kinds of regional needs.

2 And we talked about it within the
3 Commission, and we're a fairly small organization
4 to cover the entire state. And it's just a bigger
5 pill than we could swallow, bigger issue than we
6 could deal with. And, you know, it's, at least in
7 this short timeframe.

8 So, we've kind of let it go there. We
9 will continue to talk to sister state agencies
10 about the concept of it, is there any chance of
11 people combining their needs. But I just put that
12 question, or leave that issue with SanDAG, which
13 is a regional planning organization.

14 And while you think about this for
15 transmission lines only, which you might think
16 about other energy sources and just other needs.
17 I mean land is disappearing so quickly that the
18 idea of setting aside, finding the capital to do
19 that, and making, which is unusual for a
20 government, unfortunately, long-range views and
21 commitments to things is something that I would
22 bet you you'd be able to think about more
23 aggressively down here. You might be able to show
24 us a thing or two in Sacramento about thinking
25 about that.

1 So I just leave that with you as an
2 observation. We're conscious of it, but we're,
3 you know, we're just not staffed sufficiently to
4 make a big push on it. But that's something you
5 could certainly do down here, so.

6 PRESIDING MEMBER GEESMAN: Michael
7 Schuerman.

8 MR. SCHUERMAN: Good morning,
9 Commissioners. My name is Michael Schuerman. I'm
10 here today on behalf of the San Diego Regional
11 Economic Development Corporation to express our
12 support for the California Energy Commission's
13 efforts to address critical infrastructure issues
14 as part of the 2004 draft energy report update.

15 Reliable energy is vital to San Diego's
16 continued economic prosperity. And nothing can be
17 more important than having the necessary
18 infrastructure to provide reliable and cost
19 effective energy resources to the region.

20 The San Diego region has seen its
21 biotech and biomedical jobs grow from 13,000 in
22 1991 to more than 36,000 in 2003, a 176 percent
23 increase. Likewise, the computer software and
24 telecommunications industry have also seen
25 spectacular growth, more than doubling to 53,000

1 jobs in the same time. To sustain our economic
2 growth reliable energy is essential.

3 Three years ago the San Diego Regional
4 EDC joined with the San Diego Regional Chamber of
5 Commerce and the San Diego/Imperial County Labor
6 Council to support the Valley-Rainbow interconnect
7 transmission line.

8 Our coalition represented a diverse
9 group of business, labor and individual customers
10 that strongly supported energy infrastructure to
11 keep our economy moving. As you know, the Valley-
12 Rainbow interconnect was turned down by the CPUC
13 in 2002. The decision to deny the Valley-Rainbow
14 was arrived at because the Commission determined
15 that it was not needed within a five-year planning
16 horizon.

17 This short-sighted planning will not
18 address our future energy needs, especially when
19 the need exists to build power plant and
20 transmission lines and encourage more renewable
21 energy development in California. We must all
22 think and act long-term when it comes to
23 infrastructure.

24 Earlier this year San Diego EDC
25 testified before the CPUC in support of SDG&E's

1 regional plan for energy reliability. This plan
2 included power plants, conservation measures and
3 adding renewable energy to the region. While
4 these are resources our energy needs to serve us
5 in the near term, we continue seeking solutions to
6 meet our long-term energy needs.

7 As we look to the future I encourage the
8 CEC to keep issues such as streamlining
9 transmission line siting and permitting,
10 identifying renewable projects that make financial
11 sense for customers, and seeking input from the
12 business community on ways to provide our region
13 with the reliability we need for the next 30 to 50
14 years.

15 The need for reliable and competitively
16 priced power remains in San Diego. Our region, as
17 well as our state, must move forward with
18 investment and infrastructure projects that will
19 keep our economy vibrant and growing.

20 Thank you for your time and for this
21 opportunity to address you.

22 PRESIDING MEMBER GEESMAN: I certainly
23 appreciate your comments, Mike. The five-year
24 planning horizon on the Valley-Rainbow project, I
25 think, brought to the fore just how myopic the

1 state government's process has been.

2 And if I recall correctly, I believe it
3 was the Administrative Law Judge that
4 characterized the debate over whether we used a
5 five-year horizon or a ten-year horizon, and I
6 should add, our report calls for a 30- to 50-year
7 horizon, but the Administrative Law Judge
8 suggested that the opponents of the project who
9 were arguing for a five-year horizon said that if
10 you expand this out to ten years, there's no
11 project that you wouldn't approve, that you
12 wouldn't find a need for.

13 The proponents of the project suggested
14 that if you limited your horizon to five years,
15 given the way in which the rules were being
16 applied in the PUC process, there was no
17 conceivable project that could be approved.

18 By implication, the challenge then was to
19 figure out the optimal just-in-time schedule for
20 this large infrastructure project. And I think
21 most of us know you can't do that. These are
22 lumpy projects, and they come online all at once,
23 and you have to reconcile yourself to the fact
24 that you may be a year early, you may be two or
25 three years early, but that's a whole lot better

1 than being late.

2 And I think that we need to instill a
3 discipline in state government that takes more of
4 a prudent risk management approach to some of
5 these infrastructure decisions, and abandons the
6 notion that we're going to be able to optimize
7 timing, or that the precision of some of our
8 economic assumptions can be carried out four or
9 five decimal points, ignoring all of the inputs
10 and variability of those inputs.

11 So, I appreciate your comments, and am
12 hopeful that we're able to do better in the
13 future.

14 Tom Blair.

15 MR. BLAIR: Good morning, Commissioners,
16 Commissioner Geesman, Commissioner Boyd, thank you
17 for bringing your workshop to San Diego so we'd
18 have the opportunity to provide local input.

19 We recognize you and your staff's work
20 in developing this update report. I know it's
21 been a long process. We participated in many of
22 the workshops and hearings throughout this.

23 In San Diego we are the largest -- the
24 City of San Diego, which I represent, is the
25 largest single municipal agency. And we have many

1 of the renewable assets that provide power for
2 this region.

3 We produce approximately 17.5 megawatts
4 on peak, and about 150,000 megawatt hours of
5 energy per year, much of which is consumed within
6 our own municipal processes, with the remainder
7 being sold to San Diego Gas and Electric.

8 We've been told by the EPA that we're
9 one of the top 20 green power producers in the
10 country. We're part of their greenpower
11 leadership partnership. And have been recognized
12 for onsite generation in 2003.

13 We have an active goal from the
14 municipal agency to provide 50 megawatts of
15 renewable power within the next ten years within
16 the City limits of San Diego. So we have that
17 process which we're trying to accomplish through
18 our own sustainable energy advisory board, which
19 is composed of many members, both public and
20 commercial entities; all looking at ways that we
21 can help to incentivize or produce more
22 distributed generation within the region.

23 PRESIDING MEMBER GEESMAN: What's the
24 timeline on that?

25 MR. BLAIR: Ten years; 50 megawatts in

1 ten years.

2 PRESIDING MEMBER GEESMAN: That's pretty
3 aggressive.

4 MR. BLAIR: We're trying every method
5 that we can. We have currently four solar
6 projects, 180 kilowatts of power, that we're
7 testing various methods.

8 We have thin film technology; we have
9 crystalline. So we're seeing what kind of
10 problems and barriers we're running into with the
11 smaller size systems so that we can hopefully send
12 that into a larger implementation throughout the
13 City.

14 We're also, through the PUC third-party
15 programs on the energy efficiency side, we're part
16 of the local government partnership in the region.
17 And there is one particular program, the local
18 government energy efficiency program, which is
19 providing advanced metering as a portion of the
20 energy efficiency implementations where we do
21 them.

22 We're using actually one of the CEC
23 loans to implement efficiency measures on 19 city
24 buildings, and each of those city buildings will
25 also receive advanced metering. So we're trying

1 to be somewhat of a test bed for emerging
2 technologies and looking at ways that we can
3 better implement energy efficiency in the region.

4 We support strongly your raising the net
5 metering, your recommendation to raise the net
6 metering cap to 5 percent. That was, I think,
7 your last recommendation of the renewables. And
8 that, for the San Diego region, is critical.

9 We have a 19 megawatt cap now and we're
10 projecting 14 megawatts at the end of the year
11 from the local utility who is overseeing this
12 whole process. So we do need that raised, and
13 raised soon.

14 We also, because we are kind of the end
15 of the pipeline down here, the aged power plants
16 are a significant asset, supplying reliability
17 power at this point. And in your consideration of
18 the long-term policies for the region, I think it
19 needs to be looked at, the possibility of
20 repowering those plants to provide in-region
21 generation rather than relying completely on
22 transmission lines to bring in the remote power.

23 We'd like to have a mix. When we looked
24 at the initial process in 2002, the regional
25 energy infrastructure study, we were then

1 producing about 65 percent of the power in-region.
2 And that would fall significantly if those plants
3 were no longer in service.

4 We also, in looking on page 19 of your
5 report, you recommend load shifting as a potential
6 for better energy delivery by using pumping water
7 during offpeak hours. One thing that
8 significantly impacts that is the tariff
9 structure.

10 We looked at a typical ALTOU, which is
11 time-of-use tariff for medium to large customers.
12 And the tariff structure that exists now actually
13 provided an increase of about 30 percent to cost
14 with no change in operations at a typical pump
15 station.

16 And by changing pumping operations to
17 pump a level load for the entire day we actually
18 reduce that cost by 50 percent. So the tariff
19 structures right now do not support offpeak
20 pumping or load shifting. So that would need to
21 be changed.

22 Demand response programs are an integral
23 part to any program that you put together. And,
24 again, the tariff structure is critical to that.
25 When onpeak demand prices are around the \$3 range,

1 at this point, with noncoincident demand up around
2 \$10, it provides little incentive to put in
3 distributed generation that primarily operates
4 during afternoon or peak hours.

5 Transmission planning has been ongoing
6 for the region through the ISO's STEP process. In
7 fact, there is a meeting tomorrow here at Sempra
8 to hear the next version of their updates. They
9 looked at 21 different configurations over the
10 last couple of years of ways to bring power into
11 San Diego. And have narrowed it down to four or
12 five that they're doing economic studies on now.

13 And those forums have provided a good
14 method to looking at the pros and cons. And I
15 believe should be integrated somehow into your
16 transmission planning process so that you can use
17 the other. The STEP group has people from
18 Arizona, from Nevada, from the other agencies that
19 also have pathways that could bring power into the
20 San Diego region.

21 And I believe that's all my comments.

22 PRESIDING MEMBER GEESMAN: Thank you,
23 Tom. We have certainly been big admirers of the
24 City's efforts in the renewables and efficiency
25 area.

1 As it relates to repowering, I should
2 say that the state, you know, since I was first at
3 the Energy Commission in 1970s, has articulated
4 repeatedly a preference in seeing existing sites
5 repowered. Ultimately that is a site owner's or
6 developer's initiative to take.

7 And we hear from time to time that we're
8 about to get a filing for one of the two sites
9 here in San Diego County. We haven't seen it yet.
10 They can be very difficult to permit, both from an
11 air quality and from a Federal Clean Water Act
12 standpoint.

13 And I know there's a lot of review going
14 on right now among the site owners. But, I think
15 we would eagerly anticipate getting a filing.

16 MR. BLAIR: I believe one thing that
17 could help in that area would be the utility, as a
18 portion of their long-term procurement plan,
19 having some mechanism in there that would look at
20 is it cost effective or what is the cost/benefit
21 analysis of trying to do a repower versus strictly
22 transmission planning.

23 PRESIDING MEMBER GEESMAN: Oh, I would
24 wager there's probably no question more closely
25 looked at by the resident utility than the likely

1 economics of power coming out of those repowered
2 plants.

3 I think the ball really is in the site
4 owners' court in terms of determining whether it's
5 something that makes sense from their economic
6 perspective.

7 MR. BLAIR: Thank you very much.

8 DR. SWEEDLER: Mr. Chairman, if I could
9 make a comment on Tom's suggestions and
10 recommendations, which I fully support.

11 From a regional perspective the worst
12 outcome would be to have these two aging power
13 plants not repowered, and have the two new power
14 plants that have recently been approved that I
15 mentioned, we then have four plants. Not that
16 that is bad, but that nothing happens to the two
17 old ones.

18 And one thing that you might want to
19 look at in your report is the growing interest in
20 desalination. Because those two old plants are
21 located on the coast. And from, at least from an
22 air quality perspective, having those plants say,
23 as has been suggested in some places, to be used
24 for desalination without repowering, I don't think
25 would be in the best long-term interests,

1 certainly with respect to air quality.

2 It's possible that if the two new plants
3 finally come online, the ones Otay Mesa and
4 Palomar, then RMR needs, of course, of those two
5 plants would be diminished. And so that may not
6 be an argument anymore.

7 And if the desalination argument begins
8 to become more prominent because that's a critical
9 issue in this region, then I don't know how to do
10 this, but if there was some incentive for the
11 repowering to take place maybe within the context
12 of some water-related issues, that could provide a
13 different dimension to this that has not been
14 discussed.

15 But the worst outcome, as I said, would
16 be to have two old plants and two new plants,
17 where nothing happens to the old plants.

18 PRESIDING MEMBER GEESMAN: I think those
19 are good points, Alan. Our review of the 50 aging
20 plants that we did look at did have a desalination
21 component associated with it.

22 I don't think we were really able to go
23 much beyond the screening that the Coastal
24 Commission had done earlier in terms of
25 identifying prospects for desalination at some of

1 the existing power plant sites.

2 I think down here, I believe it's the
3 Carlsbad facility, if I'm not mistaken, that there
4 has been this ongoing situation between the
5 prospective vendor and the county water authority,
6 that has raised some question as to the timing of
7 actually being able to move forward.

8 We have rolled the whole integration of
9 electricity issues and water issues into our '05
10 cycle, and expect to make that a fairly prominent
11 feature of the '05 review.

12 And, again, I think that, you know, the
13 economics are such that the owners of those two
14 sites are really going to have the best commercial
15 vantage point, if you will, as to the economic
16 prospects offered by having a large customer in
17 the form of a desalination project nearby.

18 This is something, the repowering
19 question is something I'm not certain all the good
20 words that state government can utter will replace
21 a fairly cold economic calculation that those site
22 owners need to make.

23 DR. SWEEDLER: One further suggestion.
24 If the RMR status changed, that would change the
25 economics for those plants. And --

1 PRESIDING MEMBER GEESMAN: Well, I think
2 as you watch Palomar and Otay Mesa --

3 DR. SWEEDLER: -- as the new plants come
4 on --

5 PRESIDING MEMBER GEESMAN: -- proceed --

6 DR. SWEEDLER: -- that could change it
7 dramatically. That's one point. And then I think
8 the economics would be quite favorable.

9 The second point is we have a cap on
10 emissions, so there needs to be offsets. And if
11 those two plants continue to operate, it's going
12 to be difficult for other, at least combustion
13 type plants, to develop without very costly
14 offsets.

15 PRESIDING MEMBER GEESMAN: Absolutely
16 the case. Mitch Mitchell.

17 MR. MITCHELL: Good morning, I'm Mitch
18 Mitchell, representing the San Diego Regional
19 Chamber of Commerce; 3000 business members. Mike,
20 how you doing?

21 And I'm also Governor's Appointee to the
22 Little Hoover Commission. So I find all of this
23 interesting, especially when you talk about
24 blowing up the boxes. We are preparing to being
25 reviewing and devising our suggestions to the

1 Governor of what will be the most efficient way,
2 in our opinion, for the state to operate.

3 And when you talk about regional
4 planning and you talk about statewide planning,
5 this concept of boxes, you know, will play a large
6 role in that discussion. And I am always clear
7 about my comments about the horizon, because I do
8 believe that we are at the bottom of the state and
9 that has led to several inequities for this region
10 throughout the years here in the State of
11 California.

12 One of the things that, Commissioner
13 Boyd, I think you mentioned, was -- or maybe you,
14 Commissioner Geesman, that you'd rather be early
15 than late. And I think that really stands clear
16 in the minds of the business community here in San
17 Diego.

18 We began to understand the true meaning
19 of being late in the summer of 2000 when
20 everything went wrong, bills doubled and tripled,
21 and you saw the business community here really
22 suffer.

23 One of the things we take pride in is
24 the fact that our business community and our
25 economy is so diverse here that our unemployment

1 is down around 3.7 percent. Our economy continues
2 to grow, which is why we have a situation where
3 sort of the San Diego side of things, we've become
4 more sophisticated about energy, just out of sheer
5 need and fear.

6 We pay closer attention to what happens
7 at the PUC and at the Energy Commission. And one
8 of the things that we realize is that after the
9 summer of 2000 when there was so many projects on
10 the horizon, everybody wanted to build. And there
11 was this discussion of the energy infrastructure
12 somewhat died down.

13 You talk about whether the plants that
14 are on the drawing board move forward. Just three
15 weeks ago I had a conversation with the Otay --
16 with Calpine. And there is concern about whether
17 or not this actually ever happens.

18 We, as a business community, you know,
19 reliability is a key. And it was interesting
20 because you saw our business community group
21 together, for instance, when we talk about energy
22 infrastructure, on the Valley-Rainbow transmission
23 project. This, in our opinion, was a no-brainer.

24 A, we needed generation. But, B, we
25 need ways to move generation. Amongst a host of

1 other issues we have with regard to natural gas
2 and water, things of that nature, we understand
3 infrastructure. Seventeen mayors and 17 cities
4 joined our effort.

5 Hopefully next time, Tom, we'll actually
6 have the City of San Diego joining with the
7 business community in this effort to get the
8 Valley-Rainbow project, or to get a project of
9 that nature moved forward. We know we have a 500k
10 line that is on the agenda next. And I anticipate
11 that we'll have 18 cities in that instance saying,
12 yes, we have to have it.

13 We were reminded recently about the
14 significance of the energy situation and the fact
15 that even though energy isn't in the headlines, on
16 the front page of the paper every day, we still
17 have a serious situation that we have to deal
18 with. And this was back in May, which you
19 probably all are familiar with, when we almost had
20 to shed load here.

21 I remember being in Sacramento and
22 hearing this, and saying, hopefully this will act
23 as a reminder. Because we definitely, at the San
24 Diego Regional Chamber of Commerce, continue to
25 promote to our members that this energy problem is

1 still a problem, and will grow if we don't address
2 it properly.

3 We are making progress, as Dr. Sweedler
4 said, you see the list of people who are having
5 conversations. And who are continuing to
6 emphasize the need that we move forward. And I
7 think that this is leading to a greater education
8 overall.

9 I think that we still need improvement.
10 We have to work harder to education, you know,
11 consumers about all the different possibilities,
12 whether it be renewables, again about
13 infrastructure. Because what people are used to
14 now is you turn the light switch on, lights come
15 on. You turn it off, they go off.

16 But if you've ever been one of those
17 businesses that is one of the interruptible
18 contracts, or you've ever been one of those
19 businesses who we heard a lot from, restaurants,
20 for instance, that during the summer of 2000 had a
21 restaurant full of people and the power went out.
22 And mysteriously no one had any cash, all credit
23 cards, you know.

24 Those members, those individuals now
25 understand the importance of reliability. Because

1 they realized they couldn't rely on anyone to have
2 anything other than credit cards. And when the
3 power goes out, there's no way to run credit
4 cards.

5 And so I think that overall it's great
6 to have you here in San Diego; hopefully you'll
7 return. And it's great that we're having this
8 discussion about the importance of improving our
9 transmission; the importance of renewables.

10 Because some people were actually
11 surprised when we, the Chamber, talk about the
12 fact that we support, you know, renewables. We
13 talked three years ago about the excitement around
14 fuel cells. Mike, I think we've talked about this
15 at our energy committee, that we're going to have
16 a day come up here soon where we're going to talk
17 about, bring people in who can further discuss
18 where we are moving towards and how soon it will
19 be here. Because all the options and alternatives
20 need to be on the table.

21 But, in the end, reliability, insuring
22 reliability is going to be a mixture of things.
23 And our partners to the south, our partners in
24 Mexico, you know, we have spent a tremendous
25 amount of time talking to them, because that is

1 part of our region. So it's great to hear you
2 talk about it, also, the need to focus on what
3 happens in Mexico.

4 So, again, I commend you for being here
5 and for discussing this. We have a lot of work to
6 do. And, again, you know, these are separate
7 boxes, but in the end what has to happen is the
8 planning process has to be consistent, it has to
9 be connected, and everything has to work.

10 So, thank you very much.

11 PRESIDING MEMBER GEESMAN: Well, I want
12 to thank you for your comments. One of the
13 frustrating things to me is I don't think it is
14 widely perceived what a near-miss we had with the
15 fires last year in terms of coming very close to
16 blacking out in San Diego.

17 San Francisco, which is really only the
18 other major population center in California that
19 is similarly isolated, has been pretty effective
20 at communicating their isolation to state policy
21 makers.

22 And I would really recommend that as
23 your community works through this proposal for a
24 500 kV line, that you communicate to others
25 outside the region just how isolated you are

1 physically, and how narrow a miss it was last fall
2 in terms of averting a blackout.

3 I would also note that your predecessors
4 at the Little Hoover Commission were among the
5 first voices raised about the need for the state
6 to clean up its dysfunctional permitting process
7 for transmission and to consolidate that with the
8 siting of generation.

9 And I guess while I've got the
10 microphone I'll say in my mind the single best
11 thing in the California performance review is the
12 recommendation to consolidate the permitting
13 process for transmission lines.

14 It's not anything that's gotten any note
15 in the press at all, but it is a nugget of gold
16 that's inside those 2500 pages.

17 MR. MITCHELL: Well, I agree. And I
18 will tell you that there are certain sections that
19 I look at immediately upon receiving my report.
20 I'm in a position where I have to read all 2500
21 pages. And I would agree with you that one of the
22 things that came to mind was the combination of
23 that process.

24 And knowing firsthand here what the
25 comments have been, I think that's going to help

1 me in my decisionmaking aspect and my discussions
2 with my colleagues.

3 But, you know, we are isolated, and we
4 will, I think that again what we've seen happen is
5 we've seen this region come together to voice our
6 concerns. And I think that one of the concerns
7 that will be voiced on the 500k line is the fact
8 that we are isolated.

9 You're absolutely right, people didn't
10 think about it during the fires, because they were
11 so focused on this huge devastation. But imagine
12 what would have happened if indeed we would have
13 been without power, as well.

14 PRESIDING MEMBER GEESMAN: Well, I want
15 to thank you for your participation here today.

16 MR. MITCHELL: Thank you very much.

17 COMMISSIONER BOYD: Thanks, Mitch, good
18 to see you again.

19 MR. MITCHELL: It's good to see you.

20 COMMISSIONER BOYD: We sit on the Border
21 energy stuff. And I don't know why I want to ask,
22 anybody seen Steve Peese lately?

23 (Laughter.)

24 PRESIDING MEMBER GEESMAN: I'm out of
25 blue cards. Is there anyone else that would like

1 to address us today?

2 I want to thank you for your attendance
3 today, and your involvement in our process. It's
4 an important step along the way. We'll be back
5 here next year with a lot more to work on, so I'd
6 encourage you to stay involved.

7 Thank you very much.

8 COMMISSIONER BOYD: And thank you to
9 SanDAG, I love this layout. I mean it's very
10 hospitable in terms of having a good dialogue.

11 (Whereupon, at 12:30 p.m., the hearing
12 was adjourned.)

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CERTIFICATE OF REPORTER

I, JAMES RAMOS, an Electronic Reporter,
do hereby certify that I am a disinterested person
herein; that I recorded the foregoing California
Energy Commission Hearing; that it was thereafter
transcribed into typewriting.

I further certify that I am not of
counsel or attorney for any of the parties to said
hearing, nor in any way interested in outcome of
said hearing.

IN WITNESS WHEREOF, I have hereunto set
my hand this 14th day of October, 2004.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345